



SNAPSHOT OF SUB-FUNDS IN AUSTRALIA

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CSI Swinburne Research Brief

WHAT ARE SUB-FUNDS?

Sub-funds are one option available to donors to structure their philanthropy. They can be thought of as a form of 'giving account' which sits within a larger public foundation, which is usually a Public Ancillary Fund (PuAF).

There are a range of providers with whom a donor can establish a sub-fund. These include community foundations, wealth managers and trustee companies. The donor makes tax deductible donations which are credited against their sub-fund. Once donated, the funds cannot be returned to the donor. The assets credited against their name are invested together with the assets of all the other sub-funds managed by the provider, to generate a return. The donor can then make recommendations to the provider for grants to be made out of their sub-fund to eligible charities which must be 'Item 1' Deductible Gift Recipients.

Sub-funds are an alternative to a donor establishing a separate private foundation, such as a Private Ancillary Fund (PAF). They have certain advantages over a PAF. They are easier and faster to establish, and the donor does not need to concern themselves with holding board meetings and other regulatory requirements. They also don't need to focus on managing the investment of assets, which is taken care of by the provider. They are particularly attractive to donors who want to focus first and foremost on giving.

CSI Swinburne is grateful to the following Australian sub-fund providers which participated in the survey:

- AET Limited
- Australian Communities Foundation
- Australian Philanthropic Services
- Capital Region Community Foundation
- Centenary Foundation
- Equity Trustees
- Geelong Community Foundation
- Good2Give
- Inner North Community Foundation
- Into Our Hands Community Foundation
- JBWere
- Lord Mayor's Charitable Foundation
- Mutual Trust
- Perpetual
- Queensland Community Foundation
- Stand Like Stone Foundation
- State Trustees
- Victorian Women's Trust

THE CSI SWINBURNE SUB-FUND SURVEY

Until now, there has been no data available about the size of the sub-fund 'sector' in Australia. In response, the Centre for Social Impact, Swinburne conducted Australia's first survey of sub-funds, based on the 2017-18 financial year. This snapshot presents the findings of the survey, which received 18 responses from both major and smaller providers that collectively manage the vast majority of the sub-funds in Australia (see insert).

WHAT DOES THE DATA TELL US?

There are at least 1,995 sub-funds in Australia, holding assets of just over \$1 billion and distributing just over \$57 million through 6,304 grants. Donations into sub-funds in the 2017-18 financial year amounted to just under \$123.5 million. Although we don't yet have time-series data, there is a strong flow of donations into sub-funds for 2017-18. There are more sub-funds in Australia than PAFs (there were 1,653 PAFs as at 30 June 2018).

However, based on the most recent data from 2015-16, PAFs still hold considerably more assets (\$8.3 billion) and also distribute considerably more through grants (\$457 million). The scale of sub-funds in Australia is very different to their equivalent structure in the United States, Donor Advised Funds, whose assets grew by one third in 2017, surpassing \$100 billion for the first time.

Given some of the benefits of sub-funds, it's quite possible we'll see strong growth in their popularity over time – especially if they are promoted more widely. The next CSI Swinburne Sub-fund Survey, to be conducted in the second half of 2020, will provide interesting insights in this regard.

The full findings of the CSI Swinburne Sub-fund Survey are set out on the following page.

The CSI Swinburne Sub-fund Survey was conducted pursuant to Swinburne University of Technology Ethics Approval Number 2018/375.

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CSI SWINBURNE SUB-FUND SURVEY - FINDINGS

Number of sub-funds in Australia: At least 1,995 sub-funds as at 30 June 2018

Average number of sub-funds per provider: 111 sub-funds (median 77.5)

New sub-funds established: 161, representing 8% of the total number of sub-funds at the end of 2017-18

Donations into sub-funds: \$123.4 million, representing 12% of total assets in sub-funds at the end of 2017-18

Total assets held in sub-funds: \$1.06 billion

Average assets per provider: \$58.9 million per provider

Number of grants made: 6,304

Average number of grants per sub-fund: 3.2

Total value of grants: \$57 million, with an average value of \$9,045.

Portability in*: 7 instances of 'porting in', with \$6 million of assets ported

Portability out*: \$1.5 million of assets were 'ported out' of five 5 sub-funds

*PORTABILITY

The law allows donors to 'port' the assets into a sub-fund from a private ancillary fund or a sub-fund managed by another provider, with the approval of the Commissioner of Taxation ('porting in'). Donors with a private ancillary fund may wish to do this in instances that the assets in the PAF are not large enough for it to be viable, or because a donor may find a sub-fund to be a more convenient and less complex structure for undertaking philanthropy. Also, donors with an existing sub-fund may want to change sub-fund providers.

The law also allows donors to 'port out' sub-fund assets to establish a private ancillary fund or to a sub-fund with another provider. Donors may wish to do this because their sub-fund has grown to a size where they would like to manage it as a stand-alone PAF or they may want to change sub-fund providers. Porting out requires approval of the Commissioner of Taxation and the agreement of the trustees of the sub-fund provider; not all providers provide this option.

